

VZCZCXRO9911
RR RUEHBZ RUEH DU RUEHMR RUEHRN
DE RUEHSA #0941/01 1281601
ZNY CCCCC ZZH
R 081601Z MAY 09
FM AMEMBASSY PRETORIA
TO RUEHC/SECSTATE WASHDC 8407
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0979
RUEHBY/AMEMBASSY CANBERRA 0838
RUEHLO/AMEMBASSY LONDON 1742
RUEHMO/AMEMBASSY MOSCOW 0987
RUEHNE/AMEMBASSY NEW DELHI 0579
RUEHOT/AMEMBASSY OTTAWA 0796
RUEHFR/AMEMBASSY PARIS 1579
RUEHUL/AMEMBASSY SEOUL 0248
RUCPDC/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 PRETORIA 000941

SIPDIS

STATE PLEASE PASS USAID
STATE PLEASE PASS USGS
DEPT FOR AF/S, EEB/ESC AND CBA
DOE FOR SPERL, PERSON, SCOTT, AND BIENAWSKI
DOC FOR ITA/DIEMOND

E.O. 12958: DECL: 05/04/2019
TAGS: [ENRG](#) [EPET](#) [EMIN](#) [EINV](#) [ETRD](#) [BEXP](#) [KNNP](#) [SF](#)
SUBJECT: WESTINGHOUSE PERSEVERES FOR NEW NUCLEAR BUILD IN
SOUTH AFRICA

REF: A. 08 PRETORIA 2654
[1](#)B. PRETORIA 215
[1](#)C. PRETORIA 742

Classified By: ECONOMIC COUNSELOR PERRY BALL FOR REASONS 1.5 (B) AND (D)
)

[1](#)1. (C) Westinghouse Regional Vice-President - South Africa
Rita Bowser told Economic Counselor that Westinghouse
remained cautiously optimistic about winning a contract for
building new nuclear power stations in South Africa. The
Westinghouse rep believes that the key period to influence
the process and decision in South Africa would be
June-December this year. She said their Manager for
Technology Transfer in China would come to South Africa in
June. She noted that the SAG was pleased with the visit of
the U.S. NRC Commissioner and hoped for additional
opportunities for regulator-to-regulator cooperation and
dialogue. The arrival of a new government which could entail
restructuring of relevant ministries could delay decisions on
new nuclear build. End Summary.

Still in the Running for a Nuclear Contract

[1](#)2. (C) In a April 29 meeting at Westinghouse's
Pretoria-Centurion offices, Regional Vice-President Rita
Bowser told Economic Counselor and his team that Westinghouse
believed it was still in the running for winning a contract
for building new nuclear power stations in South Africa.
Westinghouse and Areva of France were the two preferred
bidders for state power utility Eskom's tender, which was
cancelled in December 2008 (Ref A). Subsequently, the SAG
reaffirmed its commitment - both publicly and in private
meetings with the two companies - to adding nuclear power
stations in South Africa's coal-dominated energy mix.
Westinghouse met most recently on March 18 with the
Department of Public Enterprises (DPE) at which the SAG
representatives provided limited information given the
proximity of national elections on April 22 and a new
government on May 9. The SAG confirmed that a special
nuclear task force had been established with the DPE, the
Department of Minerals and Energy (DME), and Eskom, with

advisors from a number of other relevant agencies. Bowser expected that Eskom would still do the procurement to take advantage of its set procedures.

Uncertain Process and Outcomes

13. (C) Bowser expected the task force would brief the new government in June. She outlined four possible outcomes:

- - Eskom picks a winner based on work already done, with SAG assurance (one month time-frame)
- - The SAG reviews applications and Eskom picks (six months time-frame)
- - The SAG re-opens the process to others (South Korea, Russia, and maybe China), providing for a "catch-up" process, which may still give credit to the two existing players (one-two years time-frame)
- - The SAG re-starts the process from scratch (two-three years time-frame)

Bowser characterized the first and fourth outcomes as least likely, noting that Westinghouse would walk away from the first, and the second, noting that Westinghouse would walk away from the fourth, starting-over outcome. She surmised that China may be politically influencing the process (Ref C), but she said China did not have rights to re-market Westinghouse technology, as did South Korea. China could only market a Pebble Bed Modular Reactor (PBMR)-related technology.

14. (C) Bowser expected the SAG to re-engage with suppliers

PRETORIA 00000941 002 OF 003

July-December, providing this period as the opportunity to fruitfully influence the process. After the SAG publishes the decision would be too late to have an impact on the process and the decision. Bowser noted that the first tender sought a winning team for a Engineering-Procurement-Construction (EPC) contract. She felt that Westinghouse would have won on technology, but Areva would have been strong on investment and financing (from a pre-financial melt-down perspective). She understood that the new approach would entail seeking a technology partner who would arrange/advise on a EPCM (including management) contract. This approach would allow South Africa to augment localization by allowing multiple local companies to participate in the winning contract. For example, Westinghouse's local construction partner Murray & Roberts and Areva's partner Aveng could both share in the construction contract, rather than a winner-take-all scenario. Bowser said contract work would have to be logically segmented, given nuclear specializations. She said the SAG have provided very little detail to date, pending the new government's review.

Opportunities for Advocacy

15. (C) Bowser noted that the French Government would be bringing 30 French companies ostensibly "to pick local partners" and outlined a number of probable actions on the Westinghouse side. She said Westinghouse was bringing the South African heavy mechanical engineering company DCD-Dorbyl (please protect) to the U.S. as a new global supplier. Economic Counselor offered to include Westinghouse in a business breakfast with the USTR Ron Kirk and the USDEL to the May 9 inauguration, also seeking to include Eskom Chairman Bobby Godsell, at Westinghouse's request. Bowser was seeking a meeting with the new Japanese Ambassador with the sanction of the corporate parent Toshiba; she believed that Japan might be more helpful on advocacy. Bowser said their Manager for Technology Transfer in China Mark Crump would be coming to South Africa June 17-19. Economic Counselor said the U.S. Embassy would try to organize a

dinner with SAG guests to convey how Westinghouse promotes technology transfer and localization on the ground. Bowser said senior Westinghouse official Bob Pierce would be in South Africa in May for PBMR board meetings and would seek to meet with Eskom Chairman Bobby Godsell. She noted that DPE and Eskom had been seeking meetings in the U.S. with EXIM, but she had not heard anything more about this. Bowser noted that she was open to other ideas to keep Westinghouse credibly in the spotlight with the SAG. She said Commercial Counselor had mooted an export workshop or lunch with energy-related parliamentarians in Cape Town. Bowser said SAG officials had been please with the visit of the Nuclear Regulatory Commissioner (Ref B) and hoped for additional regulator-to-regulator cooperation, dialogue, and exchanges. Finally, Economic Counselor noted that USTR Kirk may aim to return in August for AGOA-related meetings, offering another potential Westinghouse advocacy moment.

¶6. (C) Comment: There is a likelihood that the Department of Minerals and Energy may be split into two separate ministries and the Department of Public Enterprises may be dissolved, with responsibility for Eskom devolving to Energy. New personnel and re-structuring will very likely delay the decision process for nuclear power station suppliers. It is unclear how the SAG will manage the potential transition process. Westinghouse has invested significantly in acquiring a local company, setting up a local representative office, and pursuing the new nuclear build contract, despite significant delay and uncertainty. Absent the SAG re-starting from scratch, Westinghouse aims to hang in there.

PRETORIA 00000941 003 OF 003

LA LIME